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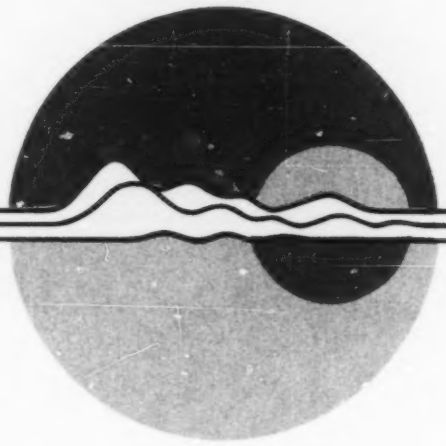
ARIZONA DEPARTMENT OF REVENUE

ANNUAL REPORT



1983 - 1984

ARIZONA DEPARTMENT OF REVENUE

J. Elliott Hibbs
Director

Bruce Babbitt
Governor

Dear Governor Babbitt:

The Department of Revenue made tremendous strides in the 1983-84 fiscal year. Thanks largely to lump-sum budgeting, we finally could manage the department more like a business. We modernized the agency more than during all three prior years combined.

We not only completed conversion to a new computer, but developed many enhancements in programming. They included new systems for processing corporate income and withholding taxes, electronic cashiering, and tax billing. We more than doubled our terminals to reduce our massive paperwork. Employees gained access to income tax processing data so they could fix errors directly on terminals, which reduced delays in correcting taxpayer or department processing mistakes. Further, installation of remote terminals allows counties whose property tax data we process to update their own records rather than sending thousands of forms to us.

Our modernization will continue. Because of the new computer equipment and systems, processing of documents will reach a speed that is unsurpassed in tax administration. We will implement a paperless system that will greatly expand the capabilities of our accounts receivable collection personnel. It also will help ensure that taxpayer accounts are updated promptly and correctly.

These improvements will have a very positive effect on our taxpayer service area. We have tried to prevent future problems and reduce the need to contact taxpayer services, and I believe we have accomplished that. With the ability to speed refunds through the system and to give more prompt and accurate attention to billings, the heavy burden on taxpayer services will dwindle. However, we still plan to increase the efficiency of that function.

While this modernization was taking place, the department established new highs in collecting unpaid taxes. We brought in nearly $125 million through audits and collections compared to about $78 million the prior year. Automation of these functions is rapidly continuing with the advent of personal computers to perform some audits and the use of portable computers to increase the productivity of sales tax auditors.

In short, 1983-84 was a year of building by the Department of Revenue to lay the foundation for a modern, efficient and effective tax agency.

Sincerely,

J. Elliott Hibbs
Director

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TABLE 1

GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX

1982-83 AND 1983-84

	1982-83	1983-84	% Change
Phoenix Audit[1]			
Assessment Collections	$16,723,447	$38,379,451	129.50
Fair Share[2]	3,936,192	643,218	(83.66)
Sub-Total Phoenix	20,659,639	39,022,669	88.88
Tucson Audit			
Assessment Collections	5,281,668	9,095,470	72.21
Fair Share	402,419	2,280,000	466.57
Sub-Total Tucson	5,684,087	11,375,470	100.13
TOTAL AUDIT UNIT COLLECTIONS[3]	$26,343,726	$50,398,139	91.31
TOTAL BILLINGS	$36,834,939[4]	$24,314,647	(31.43)
Collections of Delinquent Tax			
Phone & field (Phoenix)	$19,763,290	$26,836,568	35.79
Phone & field (Tucson)	10,804,108	22,553,998	108.75
Liquor enforcement	2,325,308	3,120,778	34.21
Other collections	3,227,080	888,922	(72.45)
TOTAL DELINQUENT TAX COLLECTIONS	$36,119,786	$53,400,266	47.62
TOTAL GROSS ENFORCEMENT COLLECTIONS	$99,298,451	$128,113,052	29.02[5]

1 Includes estate and luxury taxes
2 Fair Share was discontinued as a unit. The enforcement programs were absorbed by the Sales and Income Audit Units.
3 Some collections of the audit unit are also included in delinquent tax collections.
4 1982-83 was the last year for income tax installment payments. Approximately $17,000,000 of this amount was the final installment payments.
5 Excluding the 2nd income tax installment payments, overall enforced collections increased 55.67%.

Arizona Department of Revenue
1983-84 Highlights

TAXATION

Audit:

Audit assessments issued by the Phoenix Audit Section in 1983-84 totalled $55.47 million, 29.4% over the year's objective of $42.855 million. Collections of Phoenix assessments were $39.02 million, an increase of 89% over last year's total.

Two major factors in the increase of audit revenues were the expansion of professional and support staff in the audit section and the identification of new, more lucrative areas of audit activities. In addition to a 29% general increase in the number of audits complete (25,387 in 82-83; 32,742 in 83-84), the following audit programs were initiated:

Intensive use tax follow-up of major equipment purchases by professional and service businesses.

Collection of use tax on out-of-state purchases of boats and airplanes.

Identification of sales tax liabilities owed by contractors and owner-builders, with assistance from Property Tax Division records.

Special attention to new and complex sales and use tax liabilities in the power industry and other utilities.

Expanded use of federal income tax data to follow-up on IRS tax changes and to identify Arizona non-filers.

Intensified out-of-state audits of national corporations subject to the Arizona corporate income tax.

Administrative changes in the operation of the Audit Section contributed to the increased effectiveness of its revenue program:

The development of new full-automated computer systems for individual income tax, withholding tax, corporate tax and accounts receivable, have provided much useful audit data and will add significantly to audit productivity in future years.

A substantial number of formal hearings conducted by the Hearing Office for individual income tax cases has brought in increased revenue in many cases and resolved many "grey area" issues in the accumulated backlog of income tax protests. The greater use of informal conferences on protested sales tax or corporate income tax assessments has resolved many issues and has allowed

immediate collection of agree-upon liabilities while a much smaller number of disagreed issues moved forward to the hearing process.

Establishment of a system of protest control, as a joint effort of the Hearing Office and the Audit Section, has enabled us to identify all steps needed to assure that each protested assessment receives substantive and timely review, and that each taxpayer is guaranteed the due process protection to which he is entitled.

The acquisition of the Audit Section's first microcomputer has enabled us to automate the calculation of sales tax interest and penalties, a complex process releasing a great deal of productive time previously spent on this process by the audit staff. The calculation and issuance of individual income tax assessments resulting from federal audit changes has also been automated, as the first of a lengthy list of audit programs to be processed via computer during the coming year.

New management and supervisory personnel have been appointed in almost every unit of the Audit Section, as part of an effort to apply new management approaches and techniques to tax audit activities.

Compliance:

A case prepared by the Compliance Section resulted in a taxpayer pleading guilty to two counts of a three-count indictment for failure to file returns for 1978 through 1980. The taxpayer was sentenced to thirty (30) days in jail and ordered to pay the tax, penalties and court costs of more than $10,000. Also, fraudulent refund checks totalling almost $50,000 were intercepted with an assistance of the U.S. Postal Inspector's Office in Chicago.

Currently the Attorney General is reviewing four more prosecution cases for presentation to the State Grand Jury. In addition, Compliance is conducting nine active investigations.

Estate Tax:

A net total of $13,568,050 was collected from estate taxes and unclaimed property in FY 1983-84 for deposit to the General Fund. This amount includes $1,394,590 from audits and net proceeds of $49,938 from a public auction of unclaimed property which was held in December of 1983. A net of $272,378 was collected from escheated estates for deposit to the Permanent School Fund.

A program for the field audit of unclaimed property was initiated in March of 1984. During the first phase of the program, the auditors met with representatives of financial institutions to give them

information about the new Unclaimed Property Act and to offer assistance with reports.

TUCSON OFFICE

The Tucson Office became a separate division in March of 1984. This office serves the department and taxpayers in southern Arizona performing a variety of tasks by various divisions of the DOR in Phoenix including auditing, collections, licensing, cashiering, taxpayer service, and bingo compliance. The Audit Section assessed $17,000,000 and collected $11,375,470. The Collection Section collected another $22,554,000 in delinquent taxes. The Taxpayer Services Unit assisted 27,741 taxpayers in person and another 125,371 by telephone. The Licensing Unit issued 4,894 sales tax licenses, 251 bingo licenses and two luxury tax licenses. The Cashier's Unit processed $53,377,424 and deposited it within 48 hours of receipt. They also processed 69,908 sales tax returns, 38,181 income tax returns and 274 luxury tax returns. Audit assessments were 73% greater than in 1982-83 while audit collections increased 102% and deposits increased 188%. The Tucson Office assisted 66% more taxpayers than in the previous year and the Fair Share Unit identified 2,120 non-filers.

TAXPAYER SERVICES

License and Registration and Taxpayer Assistance were separated from the Division of Taxation in August, 1983 to form the new Division of Taxpayer Services. In October of 1983 the Forms Room and cashiering functions were added to the division and a new lobby was designed so that the division can provide "one-stop service" to taxpayers needed assistance, acquiring a license, in need of forms or making payments all in one location.

Cannabis legislation passed in 1983 requires the department to license and sell stamps to illegal drug dealers for tax collection purposes. The License and Registration Section issued eleven licenses during 1983-84. A zero-filer program was initiated by the License and Registration Section to identify and contact businesses reporting and paying no tax for the prior 12 months in order to cancel sales tax licenses on defunct businesses and keep the master file current. The Section also began a procedure for handling unidentified sales and withholding payments which reduces the number of delinquencies and accounts on billing.

Long awaited bingo regulations were approved and published in June, 1984.

The Taxpayer Assistance Section was still staffed by a skeleton crew and temporaries during the tax season. The Section reduced a backlog of 20,000 letters to zero by the end of January 1984,

answering a total of 49,607 pieces of correspondence during the 1983-84 year. They assisted 15,641 walk-in taxpayers and 269,604 taxpayers who called. In all, the Section answered 334,852 taxpayer inquiries.

ADMINISTRATION

Computer Conversion:

Data Processing completed the hardware and application conversion from UNIVAC to IBM in January 1984 as projected. The conversion to IBM will allow hardware and software compatibility with other state agencies as well as other states. The advantage to the state has been the importation of two systems from other states; both systems required limited changes for implementation.

Individual Income Tax:

Major system enhancements took place within the Individual Income Tax System necessitated by a revision of all the tax forms designed to allow for ease of preparation. To assist with the collection of outstanding debts owed to other state agencies, a Debt Offset System was implemented through the Individual Income Tax System which offsets refunds against the amount owed. The amount collected and distributed to other agencies during this first year was approximately $400,000. The one-time cost to implement the Debt Offset Processing System was $50,000.

Tax Billings:

The individual income tax and sales tax billings were changed to provide continuity and clarity to taxpayers. The billing system presents an itemized billing statement outlining tax obligations, payments and charges in a more understandable manner. The data for these billings is provided by the Accounts Receivable System (completed in FY 82-83). In the future, billings will be prepared for the Corporate Income System and the Withholding System.

Corporate Income Tax:

An automated Corporate Income Tax System was implemented by June 20, 1984, replacing the old manual system. The new system will provide math and data verification plus on-line inquiry and error resolution. There are 6,000 taxpayers on the Corporate System. The system will interface with the Accounts Receivable System for billings and will provide management reports for control along with better and faster processing.

Withholding Tax:

The Withholding Tax System was enhanced and implemented by June 30, 1984. It interfaces with the Accounts Receivable System and billings will utilize data from the Accounts Receivable System. On-line inquiry and on-line error resolution functions will allow immediate access to the Withholding System for maintenance and faster processing. The reporting functions have been enhanced to include correction notices, audit reports, management statistical reporting and NCR input.

Property Tax:

A significant step by the Department was the establishment of a statewide telecommunications network giving county assessors access to the DOR computer for property masters (FCV) inquiry and maintenance. This system has 11 CRT's and 11 printers installed in the assessors' offices. The assessors are adding additional terminals which will allow additional activities such as access to Personal Property and inquiry to the Property Improvement File. This system will handle more than a million transactions during a year.

Microfilm of Income and Corporate Documents:

In the fiscal year of 1983-84, the microfilming of income and corporate documents was implemented. The old system required a ten-day turnaround of documents for auditors and collectors; however, with the microfilming of income and corporate documents, the turnaround time will improve by 20 percent.

COLLECTIONS

The Collections Section became a separate division in March of 1984. The Department's revenue enforcement program for 1983-84 provided for increasing the number of collectors and in January 1984 a second shift, working evenings and weekends, was established. Their goal was to collect an additional $4,000,000 in delinquent taxes. They successfully achieved this goal by mid-June, 1984.

Additional enforcement enhancements were implemented during the last half of the fiscal year including wage and bank levies making it possible for the Department to collect 29.02% more than the previous year. Wage and bank levies increased by 930% while seizures of real and personal property increased by 433%. The Collection Section's effort netted $29,957,346.

PROPERTY AND SPECIAL TAXES

Assessment Standards:

Efforts of the Assessment Standards Section were devoted primarily to extending application of the sales-based appraisal systems, maintaining appraisal and assessment manuals, and monitoring appraisal performance.

Application of sales based appraisal models was extended to a large number of additional residential properties in Coconino, La Paz, Mohave, Santa Cruz, and Yuma counties. Appraisal and assessment manuals issued by the Department were updated to include current information and to reflect changes in property tax laws. Appraisal performance standards were adopted by the Department based upon analysis of property sales compared with appraised values for those properties. Extensive research was conducted by the section staff on property sale transactions to evaluate the effects of noncash elements in those transactions upon the selling prices reported to the Department.

An on-line data processing system was developed in a cooperative project among several units of the Department in which the Assessment Standards Section assisted with planning, design, and implementation. That system has permitted improved access to property tax data files by assessors' personnel and the division staff, and has reduced work backlogs in processing information.

Locally Assessed Properties Section:

Land reviews in Apache, Navajo, Graham and La Paz counties were completed with a total of 133,909 parcels appraised. Personal property audits were also completed in seven (7) counties. During fiscal year 1983-84, approximately 13,316 hours were spent by the appraisal services unit in reviewing and assisting the counties in field work, appraisal problem areas, and over 15,000 requests for changes in the tax bills. In addition, over 2,000 hours were spent in the preparation of court cases and board hearings.

The special projects completed were: appraising 245 residential properties that were damaged by the flooding San Francisco River in Clifton, Arizona. A review of newly certified appraisers in the counties was implemented to determine the quality of the training offered by the Department of Revenue Education and Training Unit.

Centrally Valued Properties Section:

Appraisal of Centrally Valued Properties (natural resources, utilities, and railroads) resulted in values of $704 million for natural resources

and $10.1 billion for other properties. In addition, the audit unit performed desk audits for 400 water utilities, 240 private car companies, and 14 major airlines. To further advance the appraisal procedures, a review committee was established to critique the Centrally Valued methods of valuing properties. The three panel members are experts in the areas of finance, economics, and real estate appraisals. The committee approved the centrally valued 1984 appraisals and provided additional improvements for consideration in further years.

The preliminary drafts of proposed regulations for airlines and mines were completed and two (2) nationwide research projects were conducted to survey allocation procedures for pipelines and private rail car fleets in other states.

With the assistance of financial interns from the ASU Financial Department, the 1984 capitalization rate study including all calculations and updates for changes in the money market was completed through the end of the year. The calculations were completed in record time in comparison to previous years.

MANAGEMENT SERVICES

Taxation Information Services:

With the creation of separate divisions for Collections, Taxpayer Services and the Tucson Office along with existing divisions, the activities of TIS were transferred to Management Services. This section coordinates the computer system requirements of the diverse users for the sales, withholding, corporate and individual income tax systems with the data processing staff. TIS is responsible for coordinating these diverse requirements, insuring that conflicts are resolved and that systems operate as designed.

Training:

Training programs were expanded to provide tax practitioner workshops in Flagstaff, Phoenix and Tucson. These workshops provided information on extensive tax changes as well as form changes resulting from them. Attendance at these workshops totalled 1,181 practitioners.

The Department's Training Officer was a leader in the development of the Arizona State Training Roundtable. This informal program provides for an information exchange of facilities, equipment, training staff and programs between state agencies. It facilitates broader use of these resources which makes overall state training programs more cost effective. Agencies are able to send employees to programs

provided elsewhere instead of having to duplicate an already existing program within each agency.

Formal training programs were developed for Taxpayer Services, Collections and auditor development.

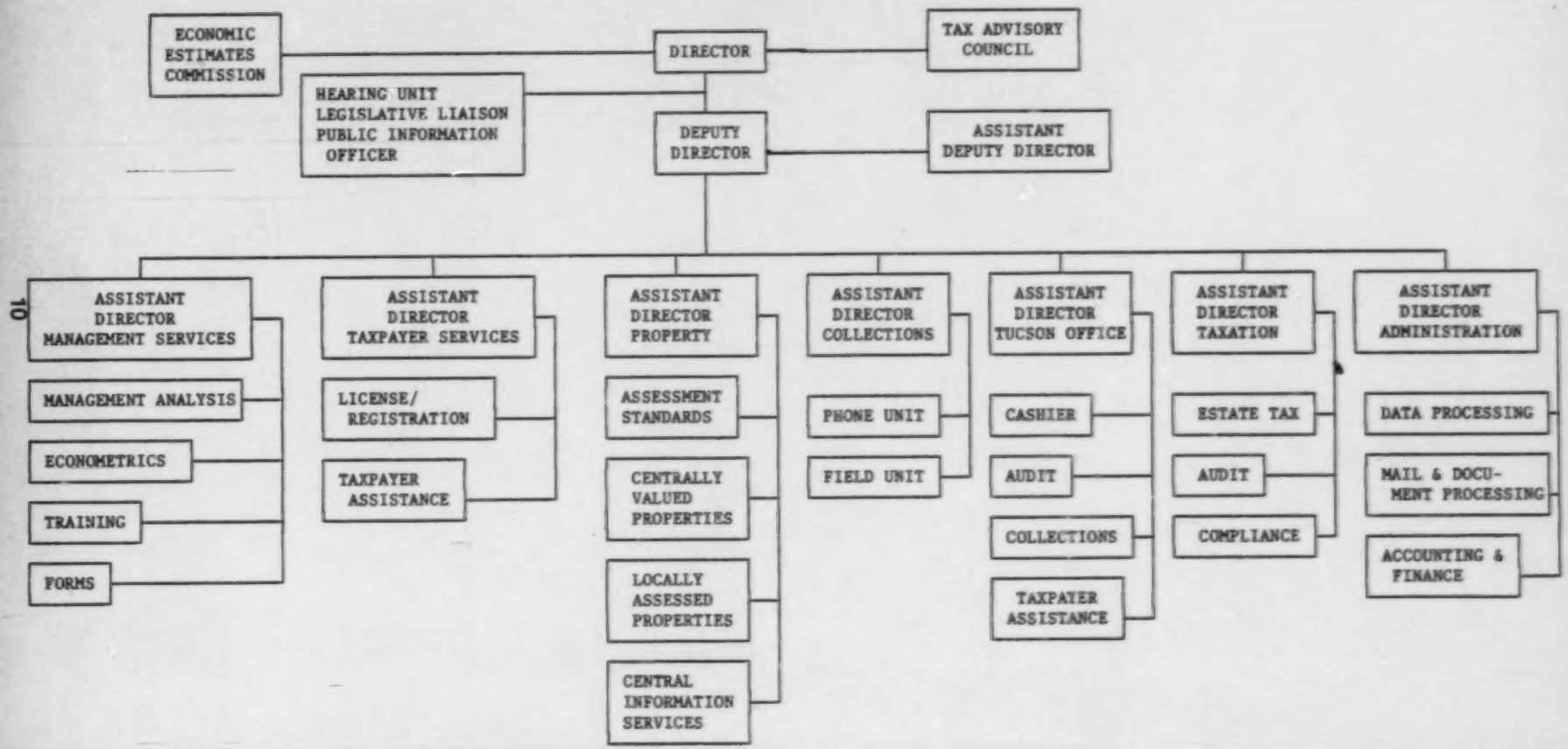
Forms:

Substantial improvement in both design and distribution were made during the year as the Department continued to strive to simplify and standardize its forms. Arrangements were made with libraries, banks and post offices to provide a wider selection of income tax forms at more locations. During this fiscal year every major tax form had to be revised, due to revised due dates, changes in tax rates, interest rates and tax legislation.

ARIZONA DEPARTMENT OF REVENUE

ORGANIZATIONAL STRUCTURE

1983-84



REVENUE SUMMARY

TABLE 2
GROSS REVENUE COLLECTED

SOURCE	1979-80	1980-81	1981-82	1982-83	1983-84
SALES AND USE TAX					
Transaction Privilege	$ 344,755,193	$ 315,333,779	$ 339,048,243	$ 357,098,095	$ 573,263,082
Education Excise	335,360,847	306,054,592	326,825,752	349,085,972	407,185,512
Special Education	121,759,143	114,897,883	125,120,498	125,845,679	142,108,189
Use	15,267,048	14,016,182	13,795,054	15,702,202	20,807,747
Bingo	142,458	159,422	276,216	388,758	415,224
Rental Occupancy	147,904	241,993	113,272	76,651	74,595
Subtotal	817,432,593	750,703,851***	805,179,035	848,197,357	1,143,854,349
INCOME TAX					
Withholding	269,412,512	325,366,394	417,219,768	400,596,831	418,869,050
Individual	121,471,839	133,503,187	150,867,216	195,584,283	231,658,295
Corporation	117,764,492	130,378,605	122,024,168	169,039,740	207,341,166
Subtotal	508,648,843	589,248,186	690,111,152	765,220,854	857,868,511
LUXURY TAX					
Spirituous Liquor	13,227,227	13,593,465	13,482,032	13,890,962	14,600,111
Vinous Liquor	2,480,932	2,632,740	2,967,247	3,008,457	3,663,608
Malt Liquor	6,386,712	6,574,829	6,891,524	6,813,120	7,235,455
Tobacco - All Types	41,232,502	40,083,323	42,222,950	42,467,848	41,473,630
Licensing	752	755	2,245	1,300	1,475
Subtotal	63,328,125	62,885,112	65,565,998	66,181,687	66,974,279
ESTATE TAX					
Estate	12,258,772	10,139,409	12,637,301	12,492,305	12,978,900
Unclaimed Property	425,807	1,053,513	571,366	995,848	1,271,125
Escheated Estates & Unclaimed Dividends	157,302	104,974	190,328	367,969	303,102
Subtotal	12,841,881	11,297,896	13,398,995	13,856,122	14,553,127
FLIGHT PROPERTY TAX	2,507,401	5,585,255	3,217,110	2,290,785	2,782,822
PRIVATE CAR TAX	536,773	692,366	538,855	566,505	626,198
NUCLEAR PLAN ASSESSMENT	-----	-----	300,000	968,456	573,751
DEPARTMENT TOTAL	1,405,295,616	1,420,412,666	1,578,311,145	1,697,281,766	2,087,233,037
STATE PROPERTY TAX*	40,356,292	84,349,439	88,393,124	77,626,564	80,218,027
TOTAL**	$1,445,651,908	$1,504,762,105	$1,666,704,269	$1,774,908,330	$2,167,451,064

* Deposited in the general fund by counties.
** All revenues including those which are eventually refunded or distributed to local governments; does not include municipal sales tax.
*** Sales tax on food repealed July 1, 1980.

TABLE 3
NET REVENUE TO STATE GENERAL FUND

SOURCE	1979-80	1980-81	1981-82	1982-83	1983-84
Sales, Use & Severance Tax	$613,572,917	$540,591,812***	$580,882,821	$616,291,719	$854,824,687
Income Tax	389,980,984	435,769,765	487,950,969	573,649,629	633,166,467
Luxury Tax	61,978,771	62,546,016	64,106,688	64,618,509	66,974,279
Estate Tax	12,601,638	10,554,080	12,569,641	13,123,774	13,568,050
Flight Property Tax	2,507,401	5,585,255	3,217,110	2,290,785	2,782,822
Private Car Tax	536,773	692,366	538,855	566,505	626,198
Nuclear Plan Assessment	---	---	300,000	968,456	573,751
Department Total	1,081,178,484	1,055,739,294	1,149,566,084	1,271,509,377	1,572,516,254
State Property Tax*	34,194,839**	84,349,439	88,393,124	77,626,564	80,218,027
TOTAL	$1,004,814,947	$1,115,373,323	$1,140,088,733	$1,237,959,208	$1,652,734,281

* Deposited in the State General Fund by counties.
** State property tax rate for fiscal year 79-80 cut to $.48 per $100 assessed valuation from $1.10 for the prior year.
*** Sales tax on food repealed July 1, 1980.

INCOME TAX

Major Features

Arizona income tax calculations use federal adjusted gross income for individuals and federal taxable income for corporations as starting points to compute taxable income. Both individuals and corporations are allowed to deduct federal and state income taxes paid.

Individual rates are graduated from a minimum of 2% on individual income of $1,017 or joint income of $2,034, to a maximum of 8% on individual income over $6,102 or joint income over $12,204. Individual tax brackets are indexed to inflation beginning in the 1983 tax year.

Arizona withholds individual income tax from wages at rates of 10%, 15%, or 20% of federal withholding -- the 20% being optional, 15% mandatory on wages of $15,000 or greater annually and 10% mandatory on wages less then $15,000. Corporate income tax is levied on Arizona taxable income at rates graduated from 2.5% on income under $1,000 to 10.5% on income over $6,000.

Tables in this section highlight income tax collections and distributions as well as two features of the individual income tax. Changes in exemptions, deductions and credits indexed to inflation are shown in this section. Also several credits which directly reduce individual tax liability are included.

Distribution

State income tax collections are shared with Arizona municipalities as Urban Revenue Sharing. Each year, 15% of net collections from two years prior is distributed to the cities and towns. The remainder is deposited in the state general fund.

TABLE 4
ARIZONA INCOME TAX COLLECTIONS

Source	1979-80	1980-81	1981-82	1982-83	1983-84	Percent of Net Collections in 1983-84
Withheld from Wages						
Gross Revenue	$269,412,512	$325,366,394	$417,219,768	$400,596,831	$418,869,050	
Refunds and Charge-offs	71,036,123	94,284,939	128,524,187	114,510,586	123,334,520	
Net	198,376,389	231,081,455	288,695,581	286,086,245	295,534,530	40.79
Individual & Fiduciaries						
Gross Revenue	121,471,839	133,503,187	150,867,216	195,584,283	231,658,295	
Refunds and Charge-offs	505,755	454,084	578,098	954,771	485,298	
Net	120,965,084	133,049,103	150,289,118	194,629,512	231,172,997	31.90
Corporations						
Gross Revenue	117,764,492	130,378,605	122,024,168	169,039,740	207,341,166	
Refunds and Charge-offs	3,213,326	3,868,506	7,264,927	8,642,778	9,454,969	
Net	114,551,166	126,510,099	114,759,241	160,396,962	197,886,197	27.31
Sub-Total Net Collections	433,890,639	490,640,657	553,743,940	641,112,719	724,593,724	100.00
Less deposit to Urban Revenue Sharing Fund	43,909,655	54,870,892	65,792,971	67,463,090	91,085,500	
Distributed to:						
Contracted Collection Agency	-----	-----	-----	-----	22,315	
Wildlife Fund	-----	-----	-----	-----	238,370	
Net Revenue to State General Fund	$389,980,984	$435,769,765	$487,950,969	$573,649,629	$633,247,539	

TABLE 5
EXEMPTIONS, DEDUCTIONS & CREDITS INDEXED TO INFLATION

Tax Year	Personal Exemption	Blind Exemption	Age 65 and Over Exemption	Dependent Exemption	Standard Deduction %	Standard Deduction Limit[1]	Maximum Renter's Credit	Maximum Property Tax Credit
1977 (base year)	$1,000	$500	$1,000	$600	10	$500/$1,000	$50	$225
1978	1,101	551	1,101	661	11	551/1,101	83[2]	248
1979	1,226	613	1,226	736	12	613/1,226	92	276
1980	1,422	711	1,422	854	14	711/1,422	107	320
1981	1,589	795	1,589	954	16	795/1,589	120	358
1982	1,729	865	1,729	1,038	17	865/1,729	130	389
1983	1,759	880	1,759	1,056	18	880/1,759	132	396

[1]Amounts shown are for individual and married-filing-jointly returns.
[2]Base for renter's credit changed to $75 in 1978.

TABLE 6

SELECTED INDIVIDUAL INCOME TAX CREDITS

Credit	1980-1981 Claimants	1980-1981 Credits	1981-1982 Claimants	1981-1982 Credits	1982-1983 Claimants	1982-1983 Credits	1983-1984 Claimants	1983-1984 Credits
Energy Conservation* Credit	49,838	$11,228,693	59,924	$17,790,086	52,489	$15,839,918	48,580	$22,177,237[1]
Property Tax Credit	53,622	15,003,388	52,600	16,462,823	50,340	16,465,478	46,184	14,996,364
Renter's Credit	209,481	20,663,868	243,563	26,653,372	256,654	30,664,820	278,134	35,416,672
Total Credits		$46,895,949		$60,906,281		$62,970,216		$72,590,273

* includes residential insulation credit, solar development credit and commercial solar credit.

[1] Total miscellaneous credits less an estimate of $4,000,000 for foreign tax credits.

TABLE 7
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING TO MUNICIPALITIES IN 1983-84

Cities by County	Amount	% of Total
APACHE		
Eagar	$ 114,549	.1379
St. Johns	138,231	.1664
Springerville	59,593	.0717
COCHISE		
Benson	174,471	.2100
Bisbee	293,617	.3535
Douglas	535,931	.6452
Huachuca City	68,171	.0821
Sierra Vista	1,023,472	1.2322
Tombstone	66,981	.0806
Willcox	133,100	.1602
COCONINO		
Flagstaff	1,425,933	1.7167
Fredonia	42,684	.0514
Page	201,395	.2425
Williams	93,002	.1120
GILA		
Globe	282,617	.3403
Hayden	49,456	.0595
Miami	111,471	.1342
Payson	208,002	.2504
Winkelman	43,505	.0524
GRAHAM		
Pima	65,627	.0790
Safford	287,707	.3464
Thatcher	138,477	.1667
GREENLEE		
Clifton	174,225	.2098
Duncan	24,749	.0298
LA PAZ		
Parker	104,330	.1256
MARICOPA		
Avondale	335,234	.4036
Buckeye	140,939	.1697
Chandler	1,217,849	1.4662
El Mirage	176,769	.2128
Gila Bend	65,052	.0783
Gilbert	234,639	.2825
Glendale	3,988,164	4.8015
Goodyear	120,698	.1453
Guadalupe	184,937	.2227
Mesa	6,257,025	7.5330
Paradise Valley	481,673	.5799
Peoria	505,108	.6081
Phoenix	32,425,635	39.0381
Scottsdale	3,637,253	4.3790
Surprise	152,801	.1840
Tempe	4,388,245	5.2831
Tolleson	181,941	.2190
Wickenburg	145,085	.1747
Youngtown	92,509	.1114
MOHAVE		
Kingman	379,929	.4574
Lake Havasu City	652,942	.7861
NAVAJO		
Holbrook	237,430	.2858
Show Low	176,399	.2124
Snowflake	144,059	.1734
Taylor	78,596	.0946
Winslow	325,096	.3914
PIMA		
Marana	$ 68,705	.0827
Oro Valley	61,112	.0736
South Tucson	268,991	.3238
Tucson	13,816,651	16.6342
PINAL		
Apache Junction	407,755	.4909
Casa Grande	614,445	.7398
Coolidge	281,181	.3385
Eloy	256,104	.3083
Florence	218,797	.2634
Kearny	108,598	.1307
Mammoth	78,227	.0942
Superior	188,795	.2273
SANTA CRUZ		
Nogales	643,667	.7749
Patagonia	40,222	.0484
YAVAPAI		
Chino Valley	117,299	.1412
Clarkdale	62,056	.0747
Cottonwood	186,743	.2248
Jerome	17,238	.0208
Prescott	823,104	.9910
Prescott Valley	93,741	.1129
YUMA		
San Luis	79,868	.0962
Somerton	236,445	.2847
Wellton	37,390	.0450
Yuma	1,767,159	2.1275
TOTAL	$ 83,061,596	100.00

TABLE 8
Urban Revenue Sharing
1974-75 through 1983-84

1974-75	$21,904,030
1975-76	26,558,140
1976-77	30,313,600
1977-78	31,405,355
1978-79	36,356,905
1979-80	42,997,581
1980-81	53,942,465
1981-82	65,083,596
1982-83	73,596,099
1983-84	83,061,596

Figures may not add to total due to rounding.

SALES TAX

Major Features

Arizona's sales tax is a tax on the privilege of transacting business in the state. The rate ranges from .46875 of 1% to 5% depending on the type of business; however, most sales are taxed at a 5% rate. The total sales tax rate is a combination of three separate taxes: transaction privilege tax, education excise tax and special education excise tax. A temporary 1% tax was added onto the 4% retail sales tax rate on June 1, 1983, and all other classifications of taxable sales were raised 25% on January 1, 1984. These temporary tax rates became permanent on July 1, 1984. A new classification of taxable activity, hotel/motel, becomes effective on July 1, 1984.

Three additional taxes usually considered to be sales taxes are use tax, bingo tax and rental occupancy tax. Use tax is imposed at 4% on all purchases of tangible personal property for which a sales tax was not paid. The rate was changed to 5% effective January 1, 1984. Arizona businesses using items from their inventory are also subject to use tax. Bingo tax revenues are a combination of license fees, a 2.5% lieu tax on net proceeds of small bingo games and a 1% tax on gross proceeds of games with sales over $300 per week. Rental occupancy tax is levied at 2% on real property on a long-term lease entered into before December 1, 1967.

Distribution

The transaction privilege tax is shared with municipalities and counties in the state. Twenty-five percent of the tax goes to the cities and towns based on population. Another 33.6% of the transaction privilege tax is distributed to counties by a formula based on assessed valuation and sales in each county. Since 1980 cities and counties have also been reimbursed from the transaction privilege tax for their loss due to the removal of tax on food. The remainder of the transaction privilege tax goes to the state general fund. All other sales taxes are deposited in the state general fund.

Severance Tax

Law of 1982, Chapter 230, repealed the sales taxes on metalliferous metals and timber products and replaced both taxes with severance taxes.

The severance taxes are similar to the repealed sales taxes in some ways. The tax is administered like the sales tax -- same due dates and same forms. And the rates are identical -- 2½% on mining and 1½% on timbering.

However, significant differences do exist. The severance tax is charged at the time of production, rather than the time of sale. Secondly, the base for severance taxes on metalliferous minerals is the greater of the "weighted mineral value" (essentially the cost of extracting the minerals and delivering them to the processing site) or a specified percent of the old sales tax base. This specified percent is due to decrease from 100% in 1982-83 to a floor of 50% by 1985-86. Third, the portion of severance tax distributed as transaction privilege tax will grow from 40% in 1982-83 to 80% in 1985-86.

The new law also created two temporary taxes. A percentage of the costs incurred by taxpayers processing metallic products purchased or severed out of state is subject to a 2½% tax. The portion of costs subject to the tax will decrease from 100% in 1982-83 to 0% after June 30, 1985. The distribution of this tax will mirror that of the severance tax. In addition, the "net severance base" of all metalliferous minerals in 1982 year-end inventories became subject to a 2½% inventory tax. This tax was due in 12 monthly payments ending in February 1984.

Municipal Sales Tax Collection Program

The Arizona Department of Revenue is authorized to contract with Arizona cities and towns to administer the collection of municipal sales tax. The Department collects the local taxes and remits the amount collected to each city weekly. During 1983-84, 60 cities and towns participated in this program.

TABLE 9

GROSS SALES, USE & SEVERANCE TAX COLLECTIONS

Source	1979-1980	1980-1981	1981-1982	1982-1983	1983-84
Transaction Privilege	$344,755,193	$315,333,779	$339,048,243	$357,098,095	$573,263,082
Education Excise	335,360,847	306,054,592	326,825,752	349,085,972	407,185,512
Special Education	121,759,143	114,897,883	125,120,498	125,845,679	142,108,189
Use	15,267,048	14,016,182	13,795,054	15,702,202	20,807,747
Bingo	142,458	159,422	276,216	388,758	415,224
Rental Occupancy	147,904	241,993	113,272	76,758	74,595
GROSS STATE COLLECTIONS	$817,432,593	$750,703,851	$805,179,035	$848,197,357	$1,143,854,349
City Sales Tax	24,024,045	27,408,078	31,132,392	34,141,550	39,237,842
GROSS COLLECTIONS	$841,456,638	$778,111,929	$836,311,427	$882,338,907	$1,183,092,191

TABLE 10
DISTRIBUTION OF SALES TAX COLLECTIONS
1983-84

Net to State General Fund	$ 854,824,687
Net to Cities	105,144,271
Net to Counties	181,255,017
Refunds/Charge offs	2,630,374
TOTAL GROSS COLLECTIONS	$1,143,854,349

TABLE 11
SALES AND SEVERANCE TAX RATES
1983-84

	Taxable Activities	Transaction Privilege Tax	Education Excise Tax	Special Education Excise Tax	Retail[1] Business Excise Tax	Non-Retail[2] Business Excise Tax	Total Tax
1.	Transporting & Towing	1%	1%	2%		1%	5%
2.	Mining, Oil & Gas	1%	½%	1%		.625%	3.125%
3.	Timbering	1%	½%	--		---	---
4.	Utilities	1%	1%	2%		1%	5%
5.	Communications	1%	1%	2%		1%	5%
6.	Railroads & Aircraft	1%	1%	2%		1%	1%
7/8	Private Car/Pipelines	1%	1%	2%		1%	5%
9.	Publishing	1%	1%	2%		1%	5%
10.	Printing	1%	1%	2%		1%	5%
11.	Restaurants & Bars	2%	2%	--		1%	5%
12.	Amusements	2%	2%	--		1%	5%
13.	Real Property Rentals	2%	1%	--		.75%	3.75%
14.	Personal Property Rentals	2%	2%	--		1%	5%
15.	Contracting	1%	1%	2%		1%	5%
16.	Feed Wholesale[1]	½%	1/8%	--		.09375%	.46875%
17.	Retail[1]	2%	2%	--	1%		5%
18.	Advertising[3]	1%	1%	1%		.5%	2.5%
19.	Mining Severance[4]						2.5%
20.	Timbering Severance[4]	1%	½%	--			1.5%
21.	Mining Inventory[5]	1%	½%	1%			2.5%
22.	Prime Contracts entered into prior to May 1, 1983	1%	1%	2%			4%
23.	Hotel/Motel tax	2%	2%				4%

[1]Temporarily increased from June 1, 1983 to June 30, 1984. Increase made permanent beginning July 1, 1984.

[2]Temporary increase from January 1, 1984 to June 30, 1984. Increase made permanent beginning July 1, 1984.

[3]Advertising will be phased out by 12/31/85. The 1% Special Education Tax was repealed 1/1/84.

[4]Privilege tax portion of mining severance and timbering severance taxes will increase annually until it reaches 80% of the total tax rate with a corresponding decrease in the State General Fund Tax. There is no Education Excise or Special Education Excise Tax on mining severance or timbering severance.

[5]One-time tax levied on 1982 year-end inventory of mined metallic products.

TABLE 12
NET TAXABLE SALES
BY SALES TAX CLASSIFICATION

Classification	1979-80	% of Total	1980-81[1]	% of Total	1981-82	% of Total	1982-83[6]	% of Total	1983-84	% of Total
Transporting and Towing	$ 10,451,819[2]	0.05	$ 8,766,996[2]	0.05	$ 10,528,834	0.05	$ 39,544,993	0.18	$ 24,929,381	0.1010
Mining, Oil and Gas	2,779,034,700[2]	13.04	1,646,989,150[2]	8.61	1,739,765,417	8.45	701,533,137		125,398,832	.5080
Mining Severance[3]	-----	----	-----	----	-----	----	404,539,212	5.60	817,838,586	3.3133
Mining Inventory[3]	-----	----	-----	----	-----	----	96,436,942		171,921,855	.6965
Timbering[3]	64,626,605	0.30	65,815,726	0.34	56,331,787	0.27	28,566,640	0.16	16,412,829	.0665
Timbering Severance[3]	-----	----	-----	----	-----	----	4,943,068		14,208,996	.0576
Utilities	1,672,432,612	7.85	1,764,919,673	9.23	2,266,682,477	11.01	2,421,231,822	11.27	2,425,813,700	9.8278
Communications	430,905,536	2.02	510,643,970	2.67	534,096,615	2.60	617,688,371	2.87	549,061,992	2.2248
Railroads and Aircraft	30,983,438	0.15	34,081,122	0.18	38,823,556	0.19	23,519,300	0.11	59,237,824	.2400
Private Car and Pipelines	1,239,150	0.01	2,488,909	0.01	799,412	0.00	1,097,106	0.00	1,060,174	.0043
Publishing	183,890,400	0.86	209,765,944	1.10	226,195,356	1.10	174,240,373	0.81	75,924,109	.3076
Job Printing & Advtg.	190,809,200	0.89	205,768,138	1.08	248,149,303	1.21	259,925,051	1.21	224,519,057	.9096
Local Advertising[4]	-----	----	-----	----	-----	----	126,960,483	0.59	398,976,791	1.6164
Restaurants and Bars	1,242,332,159	5.83	1,346,845,864	7.04	1,462,449,415	7.10	1,707,636,745	7.95	1,780,585,679	7.2137
Amusements	133,072,758	0.62	154,804,841	0.81	184,061,602	0.89	217,340,721	1.01	215,958,607	.8749
Real Property Rentals	810,102,452	3.80	921,099,879	4.82	1,059,853,273	5.15	1,211,911,466	5.64	1,394,324,799	5.6489
Personal Property Rentals	468,766,163	2.20	523,025,005	2.74	573,953,670	2.79	826,652,701	3.85	886,647,981	3.5921
Contracting	2,397,908,515	11.25	2,254,556,937	11.79	2,164,763,985	10.52	2,278,537,499	10.60	3,156,115,311	12.7864
Wholesale Feed	218,256,656	1.02	260,971,896[5]	1.37	223,713,356	1.09	215,895,028	1.00	276,057,244	1.1184
Retail	10,681,015,551	50.11	9,208,456,105[5]	48.16	9,793,526,874	47.58	10,133,601,513	47.15	12,068,047,291	48.8915
Hotel/Motel	-----	----	-----	----	-----	----	-----	----	274,847	.0011
TOTAL	$21,315,827,714	100.00	$19,119,000,155	100.00	$20,584,694,932	100.00	$21,491,802,171	100.00	$24,683,315,885	100.0000

[1] Due to sales tax filing changes, FY 1980-81 taxable income is not directly comparable with FY 1979-80 because collections for June 1981 did not represent a full month of taxable activity.

[2] Actual mining taxable income after adjustments made in 1980-81.

[3] Sales tax on timbering and metalliferous mining replaced by severance tax on January 1, 1983 (see Severance Tax Section).

[4] Local advertising designated a separate class on January 1, 1983 when tax rate dropped from 4% to 3%.

[5] Retail sales of food for home consumption not taxable effective July 1, 1980.

[6] Due to sales tax filing changes, FY 1982-83 taxable income is not directly comparable to FY 1981-82 because collections for May 1983 represented more than a full month of taxable activity.

TABLE 13
STATE SALES TAX DISTRIBUTION TO COUNTIES
FOR FISCAL YEAR 1983-84

County	Distribution of Transaction Privilege Tax	Food Tax Reimbursement[1]	Special Distribution[2]	Total Distribution[3]
Apache	$ 1,515,966	$ 219,368	$ 606,217	$2,341,551
Cochise	2,668,817	418,576	1,086,145	4,173,538
Coconino	4,230,900	561,649	1,717,067	6,509,616
Gila	1,688,687	251,001	691,126	2,630,814
Graham	601,812	116,130	243,127	961,069
Greenlee	1,091,825	81,994	460,741	1,634,560
La Paz	587,521	92,446	222,185	902,152
Maricopa	83,792,538	10,847,335	8,000,004	102,639,877
Mohave	2,981,220	481,305	1,198,177	4,660,702
Navajo	3,500,470	528,465	1,418,234	5,447,169
Pima	24,301,104	3,368,926	5,000,004	32,670,034
Pinal	3,536,214	476,418	1,432,709	5,445,341
Santa Cruz	793,453	127,676	318,547	1,239,676
Yavapai	3,384,664	515,360	1,382,315	5,282,339
Yuma	3,051,226	441,955	1,223,398	4,716,579
TOTAL	$137,726,417	$18,528,604	$24,999,996	$181,255,017

County distributions are based on relative assessed valuation and sales in the county.

[1]Counties are reimbursed for 100% of their loss from removal of the sales tax on food.

[2]Session Law effective January 1, 1984 for 1983-84 fiscal year to allocate from the state general fund.

[3]Figures may not add to totals due to rounding.

TABLE 14
STATE SALES TAX DISTRIBUTION TO MUNCIPALITIES
FOR FISCAL YEAR 1983-84

County/City	Distribution of Transaction Privilege Tax	Food Tax Reimbursement[1]	Total Distribution[2]
APACHE			
Eagar	$ 141,268	---	$ 141,268
St. Johns	170,474	4,568	175,042
Springerville	73,521	1,971	75,492
COCHISE			
Benson	215,200	---	215,200
Bisbee	362,160	9,704	371,864
Douglas	661,098	17,714	678,812
Huachuca City	84,076	2,253	86,329
Sierra Vista	1,262,518	33,829	1,296,347
Tombstone	82,595	2,217	84,812
Willcox	164,167	4,399	168,566
COCONINO			
Flagstaff	1,759,004	47,133	1,806,137
Fredonia	52,617	1,413	54,030
Page	248,402	6,656	255,058
Williams	114,716	---	114,716
GILA			
Globe	348,603	9,341	357,944
Hayden	60,973	1,634	62,607
Miami	137,477	3,684	141,161
Payson	256,553	---	256,553
Winkelman	53,641	1,439	55,080
GRAHAM			
Pima	80,911	---	80,911
Safford	354,884	9,509	364,393
Thatcher	170,781	4,577	175,358
GREENLEE			
Clifton	214,892	5,758	220,651
Duncan	30,482	817	31,299
LA PAZ			
Parker	128,714	3,448	132,162
MARICOPA			
Avondale	413,500	11,080	424,580
Buckeye	173,844	4,658	178,502
Chandler	1,502,276	40,254	1,542,530
El Mirage	218,022	5,842	223,864
Gila Bend	80,193	2,192	82,385
Gilbert	289,419	7,755	297,174
Glendale	4,919,737	131,826	5,051,563
Goodyear	149,950	4,019	153,969
Guadalupe	228,112	6,112	234,224
Mesa	7,718,543	206,820	7,925,363
Paradise Valley	594,135	15,920	610,055
Peoria	623,089	16,696	639,785
Phoenix	40,000,892	1,071,833	41,072,725
Scottsdale	4,486,860	120,227	4,607,087
Surprise	$ 188,470	$ 5,050	$ 193,520
Tempe	5,413,267	145,050	5,558,317
Tolleson	224,423	---	224,423
Wickenburg	178,949	4,795	183,744
Youngtown	114,102	3,057	117,160
MOHAVE			
Kingman	468,631	12,557	481,188
Lake Havasu City	805,450	17,494	822,944
NAVAJO			
Holbrook	292,876	7,848	300,724
Show Low	217,573	---	217,573
Snowflake	177,694	4,761	182,455
Taylor	96,897	2,597	99,494
Winslow	400,948	---	400,948
PIMA			
Marana	84,702	2,270	86,972
Oro Valley	75,366	2,019	77,385
South Tucson	331,816	8,891	340,707
Tucson	17,053,200	456,938	17,510,138
PINAL			
Apache Junction	502,942	13,476	516,416
Casa Grande	757,948	---	757,948
Coolidge	346,814	9,293	356,107
Eloy	315,914	8,465	324,379
Florence	269,855	7,231	277,086
Kearny	133,954	3,589	137,543
Mammoth	96,476	2,589	99,065
Superior	232,862	6,240	239,102
SANTA CRUZ			
Nogales	793,989	21,275	815,264
Patagonia	49,598	1,329	50,927
YAVAPAI			
Chino Valley	144,650	578	145,228
Clarkdale	76,504	---	76,504
Cottonwood	230,319	6,171	236,490
Jerome	22,984	628	23,612
Prescott	1,015,735	27,206	1,042,941
Prescott Valley	115,639	3,099	118,738
YUMA			
San Luis	98,525	---	98,525
Somerton	291,646	7,815	299,461
Wellton	46,086	1,239	47,325
Yuma	2,179,909	58,411	2,238,320
TOTAL	$102,475,012	$2,669,259	$105,144,271

City distributions are based on relative population.

[1] In 1983-84, cities were reimbursed for 20% of their loss from the removal of tax on food. Some cities did not receive the reimbursement pursuant to A.R.S. 42-1342.01.

[2] Figures may not add to totals due to rounding.

TABLE 15
MUNICIPAL SALES TAX COLLECTION PROGRAM
COLLECTIONS BY CITY FOR 1983-84

City	Rate	Collections	City	Rate	Collections
Apache Junction	1%	$1,212,063	Oro Valley	2%	$499,376
Avondale	1%	359,166	Page	1%	557,431
Benson	2%	382,331	Paradise Valley	1%	1,044,808
Bisbee	2%	494,184	Parker	2%	462,314
Buckeye	1%	251,028	Payson	2%	1,239,791
Casa Grande	1.5%	1,992,702	Pima	1%	34,072
Chino Valley*	1%	46,561	Prescott Valley	1%	219,617
Clarkdale	1%	20,278	Safford	1%	685,199
Clifton	1%	96,946	St. Johns	1%	162,223
Coolidge	1%	425,943	San Luis	2%	257,497
Cottonwood	1%	666,914	Show Low	2%	1,302,257
Douglas	2%	1,293,951	Sierra Vista	1%	1,791,440
Duncan	2%	77,465	Snowflake	1%	133,869
Eagar	2%	187,692	Somerton	1%	53,348
El Mirage	2%	231,657	South Tucson	2%	854,030
Eloy	1.5%	360,239	Springerville	2%	589,482
Florence	2%	105,609	Superior	1%	50,213
Fredonia	1%	29,181	Surprise	1%	77,284
Gila Bend	2%	253,273	Taylor	1%	34,680
Gilbert	1%	279,122	Thatcher	1%	193,998
Glendale	1%	8,596,632	Tolleson	2%	260,606
Globe	1%	485,242	Tombstone	2%	269,609
Goodyear	1%	530,633	Wellton	2%	119,947
Guadalupe	2%	137,675	Wickenburg	1%	568,255
Holbrook	2%	886,481	Willcox	2%	428,309
Huachuca City	1%	35,762	Williams**	3%	466,539
Jerome	2%	45,695	Winslow	2%	862,080
Kearny	1%	95,014	Youngtown	1%	161,282
Kingman	2%	1,953,329	Yuma	1%	4,184,106
Marana	2%	80,482			
Miami	1%	60,927	TOTAL		$39,237,842

TABLE 16
MUNICIPAL SALES TAX COLLECTION PROGRAM
1974-75 through 1983-84

Fiscal Year	Total Collections	Number of Cities in Program
1974-75	$ 7,200,000	31
1975-76	10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59
1982-83	34,141,550	59
1983-84	39,237,842	60

* Chino Valley initiated a 1% sales tax and entered the State Collection Program September 1, 1983
** Williams base tax rate increased from 2% to 3% on October 1, 1983.

Rates may vary. Check with local taxing authorities.
Figures may not add to total due to rounding

LUXURY TAX

The luxury tax on cigarettes and tobacco is levied on distributors and the luxury tax on alcoholic beverages is levied on liquor wholesalers. The net tax collections are deposited in the state general fund.

PRODUCT	LUXURY TAX RATE
Tobaccos	
Cigarettes	
package of 20 or fractional part	$ .13
Cigars	
Small cigars weighing not more than 3 lbs. per M, package of 20 or less	$ .02
Selling for 5¢ or less, each cigar	$ .00333
Selling for more than 5¢, each cigar	$ .01
Smoking tobacco, snuff, fine cut, chewing, etc. - per oz.	$ .01
Cavendish, plug & twist - per oz.	$ .0025
Alcoholic Beverages	
Spirituous Liquors	
per gallon	$2.00
Vinous Liquors - more than 24% alcohol	
per gallon	$2.50
Vinous Liquors - less than 24% alcohol	
per gallon	$ .42
Malt Liquor (Beer)	
per gallon	$ .08
per barrel (31 gallons)	$2.48

TABLE 17
LUXURY TAX COLLECTIONS

Source	1979-1980	1980-1981	1981-1982	1982-1983	1983-84	Percent of Collections in 1983-1984
Spirituous Liquor Net Revenue	$13,227,227	$13,593,465	$13,482,032	$13,890.962	$14,600,111	21.800
Vinous Liquor Net Revenue	2,480,932	2,632,740	2,967,247	3,008,457	3,663,608	5.470
Malt Liquor Net Revenue	6,386,712	6,574,829	6,891,216	6,813,120	7,235,455	10.803
Tobacco - All Types						
Gross Revenue	41,232,502	40,083,323	42,222,950	42,467,848	44,266,716	66.095
Refunds/Discounts	(1,349,354)	(339,096)	(1,459,002)	(1,563,178	(2,793,086)	(4.170)
Licenses	752	755	2,245	1,300	1,475	.002
Net Revenue	39,883,900	39,744,982	40,766,193	40,905,970	41,475,105	61,927
Total Net Revenue	$61,978,771	$62,546,016	$64,106,688	$64,618,509	$66,974,279	100.000

ESTATE TAX

The Arizona estate tax is an excise tax on the transfer of property after death. Arizona does not impose inheritance or gift taxes. Estate taxes differ from inheritance taxes because the estate tax is imposed on the net taxable estate before distribution, whereas the inheritance tax is imposed at varying rates on shares of the estate received by beneficiaries.

The estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes reduced by the portion of such credit, if any, paid to another state and attributable to realty or tangible personal property in that state. The tax for a non-resident decedent is that portion of the federal credit for state death taxes attributable to tangible personal property or realty owned by the decedent and located in the state.

The Estate Tax section is also responsible for the collection, safekeeping and disposition of unclaimed property, escheated estates and unclaimed shares and dividends.

The unclaimed property unit receives funds and other personal property which is presumed to be abandoned from various financial institutions. The largest percentage of unclaimed property is comprised of contents of safe deposit boxes on which the rent has not been paid for one year, bank accounts with no activity for seven years, insurance benefits not claimed in seven years, utility company deposits not claimed in seven years, and travelers checks not cashed in fifteen years. Cash received is deposited immediately to the general fund. Assets other than cash are eventually sold at public auction and the proceeds deposited in the general fund. Unclaimed property may be reclaimed at any time by the owner(s). Twice yearly, on May 1st and November 1st, unclaimed property turned over to the Department is advertised according to statute in an effort to locate owners. Precise records are maintained by this unit in the event a claim is made by the owner to recover the unclaimed property.

The unit also processes escheated estates. When a person dies without leaving a will and with no known heirs, his or her property reverts to the state as original and ultimate proprietor. Funds received from escheated estates are deposited in the permanent school fund.

Funds received from the sale of unclaimed shares and dividends of any corporation incorporated under the laws of Arizona are deposited in the permanent school fund.

TABLE 18
ESTATE TAX COLLECTIONS

Source	1979-1980	1980-1981	1981-1982	1982-1983	1983-84	Percent of Collections in 1983-1984
Estate Taxes	$12,258,772	$10,139,409	$12,637,301	$12,492,305	$12,978,900	
Refunds	141,122	239,068	334,585	260,954	442,689	
Net	12,117,660	9,900,341	12,302,716	12,231,351	12,536,211	90.58
Unclaimed Property	425,807	1,053,513	571,366	995,848	1,271,125	
Refunds	99,109	485,862	304,441	103,425	239,286	
Net	326,698	567,651	266,925	892,423	1,031,839	7.46
Escheated Estates	156,164	74,252	189,532	366,293	231,461	
Refunds	0	18,886	0	2,571	26,426	
Net	156,164	55,366	189,532	363,722	205,035	1.48
Unclaimed Dividends	1,138	30,722	796	1,676	71,641	
Refunds	22	0	0	0	4,298	
Net	1,116	30,722	796	1,676	67,343	.48
Total Net Revenue	$12,601,638	$10,554,080	$12,759,969	$13,489,172	$13,840,428	100.00

TABLE 19
DISTRIBUTION OF ESTATE TAX COLLECTIONS
1983-84

Net to General Fund	$13,568,050
Net to Permanent School Fund	272,378
Total Net Collections	$13,840,428

PROPERTY TAX

Tax Base

In Arizona the property tax is an ad valorem tax, or tax on the value of property. For tax purposes, all properties in Arizona carry two values: limited value and full cash value. Taxes based on the limited value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. This value is limited in growth to 10% per year or 25 per cent of the difference between the prior year's limited value and the new full cash value, whichever is higher. This limit is placed on locally assessed property only. The full cash value is unlimited and floats with the market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special districts levies.

All taxable property in Arizona is classified according to its current use. Each class has a different assessment ratio which is the percentage of the value used as a tax base. The assessment ratios in 1984 are shown below.

Class	1984 Ratios
1. Producing mines, standing timber	36%
2. Telephone and telegraph property, gas, electric and water utilities, pipelines	36%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	16%
5. Owner-occupied residential property	10%
6. Rental residential property	18%
7. Railroad and private rail car property, airline flight property	23%
8. Historic property	5%
9. Scenic or historic railroad	11.5%
C. Producing oil and gas interests	100%

A change in Class 1 and Class 2 assessment ratios in 1984 from 38% to 36% will exert upward pressure on taxes of locally assessed properties. A smaller tax base in centrally valued properties means taxing entities must charge more on the remaining properties to make up for the loss. A new class of property, Class 9, was established in 1984. Currently only the line running from the City of Williams to the Grand Canyon qualifies for this classification.

Assessment Responsibility

Duties of property appraisal are divided between the state and counties.

The Arizona Department of Revenue appraises utilities, railroads, producing mines and other complex or geographically dispersed properties. Values determined by the department for those properties are transmitted to the County Board of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County Assessors, utilizing standards established by the department, are responsible for appraisal of most classes of property, including residential, commercial and industrial, and agricultural properties.

Tax Collection and Distribution

With the two exceptions noted below, County Treasurers collect all property taxes and distribute receipts to all taxing entities. The state property tax collected by the counties is deposited in the state general fund.

Taxes levied on airline flight property and private rail car property are collected by the Department of Revenue and deposited in the state general fund.

Nuclear Plan Assessment

Beginning in 1981-82, the Department of Revenue was charged with collecting a special assessment from corporations constructing or operating commercial nuclear generating stations. The money supports development and maintenance of a state plan for off-site response to an emergency at a nuclear generating station.

TABLE 20
DEPARTMENT OF REVENUE PROPERTY TAX COLLECTIONS

Fiscal Year	Flight Property Tax	Private Rail Car Property Tax	Nuclear Plan Assessment
1974-75	$2,205,999	$1,295,494	-----
1975-76	1,782,664	1,389,157	-----
1976-77	2,012,487	1,277,441	-----
1977-78	2,064,993	1,348,215	-----
1978-79	2,053,858	999,759[1]	-----
1979-80	2,507,401	536,773	-----
1980-81	5,585,255[2]	692,366	-----
1981-82	3,217,110[2]	538,855	$300,000
1982-83	2,290,785	566,505	968,456
1983-84	2,782,822	626,198	573,751

[1]Assessment ratio lowered from 60% to 36%
[2]Tax base revised.

TABLE 21
NET ASSESSED VALUATION BY COUNTY

County	1982 Limited Value (Primary)	1982 Full Cash Value (Secondary)	1983 Limited Value (Primary)	1983 Full Cash Value (Secondary)	1984 Limited Value (Primary)	1984 Full Cash Value (Secondary)
Apache	$ 192,190,712	$ 196,146,611	$ 220,320,285	232,214,277	$ 260,495,930	$ 273,011,376
Cochise	259,849,779	271,152,739	255,285,297	279,726,165	271,926,287	298,838,090
Coconino	391,566,076	426,768,014	398,018,093	429,410,776	410,777,050	454,781,801
Gila	177,661,112	186,784,029	151,916,932	165,910,046	167,462,629	179,666,603
Graham	55,110,571	56,759,929	51,995,889	56,227,619	53,509,053	56,899,769
Greenlee	108,223,922	110,629,824	75,530,133	76,622,967	73,759,778	74,227,191
La Paz	-----	-----	55,822,973	62,890,907	61,263,765	67,714,256
Maricopa	5,257,661,523	6,034,569,481	6,372,193,869	7,477,212,494	7,049,314,232	7,921,268,019
Mohave	266,702,791	295,850,474	280,835,768	322,797,549	303,074,067	333,708,032
Navajo	492,101,686	507,227,951	460,120,056	489,479,974	454,286,083	478,444,042
Pima	1,777,905,368	2,059,662,607	1,895,442,002	2,207,615,754	2,067,021,180	2,324,225,207
Pinal	305,818,135	318,118,781	290,224,245	323,347,554	297,514,210	322,358,649
Santa Cruz	62,782,295	72,286,975	70,750,414	74,017,844	76,803,885	90,007,199
Yavapai	316,080,100	355,579,310	315,106,288	366,041,350	334,935,941	382,954,140
Yuma	267,234,811	286,184,474	227,492,331	254,633,808	252,512,160	271,026,878
TOTAL	$9,930,888,881	$11,177,721,199	$11,121,054,575	$12,818,149,084	$12,134,656,250	$13,529,131,252

TABLE 22
PROPERTY ASSESSMENT RESPONSIBILITY
1984

County	LIMITED NET ASSESSED VALUES*				FULL CASH NET ASSESSED VALUES*			
	Department-Valued		Assessor-Valued		Department-Valued		Assessor-Valued	
	Amount	% of County	Amount	% of County	Amount	% of County	Amount	% of County
Apache	$ 211,794,894	81.30%	$ 48,701,036	18.70%	$ 212,160,686	77.71%	$ 60,850,690	22.29%
Cochise	113,578,567	41.77	158,347,720	58.23	113,775,748	38.07	185,062,342	61.93
Coconino	199,351,492	48.53	211,425,558	51.47	200,524,210	44.09	254,257,591	55.91
Gila	56,864,345	33.96	110,598,284	66.04	56,847,730	31.64	122,818,873	68.36
Graham	9,111,234	17.03	44,397,819	82.97	9,226,375	16.22	47,673,394	83.78
Greenlee	58,784,081	79.70	14,975,697	20.30	58,738,043	79.13	15,489,148	20.87
La Paz	24,086,311	39.32	37,177,454	60.68	24,506,388	36.19	43,207,868	63.81
Maricopa	1,457,908,495	20.68	5,591,405,737	79.32	1,459,203,595	18.42	6,462,064,424	81.58
Mohave	80,784,916	26.66	222,289,151	73.34	81,372,360	24.38	252,335,672	75.62
Navajo	309,537,023	68.14	144,749,060	31.86	310,250,601	64.85	168,193,441	35.15
Pima	362,278,703	17.53	1,704,742,477	82.47	364,953,630	15.70	1,959,271,577	84.30
Pinal	108,082,956	26.33	189,431,254	63.67	108,384,881	33.62	213,973,768	66.38
Santa Cruz	13,113,411	17.07	63,690,474	82.93	13,121,413	14.58	76,885,786	85.42
Yavapai	79,444,172	23.72	255,491,769	76.28	80,909,741	21.13	302,044,399	78.87
Yuma	48,899,791	19.37	203,612,369	80.63	48,822,966	18.01	222,203,912	81.99
ARIZONA	$3,133,620,391	25.82%	$9,001,035,859	74.18%	$3,142,798,367	23.23%	$10,386,332,885	76.77%

*does not include Salt River Project, airline flight property or private rail car property

TABLE 23
AVERAGE PROPERTY TAX RATES

Source	1981		1982		1983		1984	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
School Districts*	$3.62	$ .83	$3.45	$ .86	$3.60	$ .83	$3.79	$ .88
Counties	2.15	.19	2.11	.23	2.10	.32	2.08	.36
State	.95	---	.75	---	.75	---	.40	---
Cities	.38	.30	.37	.30	.37	.31	.35	.36
Community Colleges	.77	.03	.79	.01	.79	.00	.80	.00
Special Districts	---	.38	---	.46	---	.47	---	.46
TOTAL	$7.87	$1.73	$7.47	$1.86	$7.61	$1.93	$7.40	$2.06

Figures may not add to totals due to rounding.

*School district rate includes unorganized school districts.

TABLE 24
SUMMARY OF PRIMARY TAX LEVIES
FOR 1984 - 1985

County	Net Assessed Valuation	State	County	Cities and Towns	Community Colleges	Schools	Unorganized School Dist.	Total Levies
Apache	$ 260,495,930	$ 1,041,984	$ 1,656,963	$ 0	$ 0	$ 7,498,935	$ 0	$ 10,197,882
Cochise	271,926,387	1,087,705	8,426,203	620,080	3,975,915	8,590,056	0	22,699,959
Coconino	410,777,050	1,643,109	3,698,776	1,132,432	0	14,325,246	0	20,799,563
Gila	167,462,629	669,850	7,021,800	888,597	0	6,890,409	0	15,470,656
Graham	53,509,053	214,036	1,318,837	91,660	732,646	780,355	0	3,137,534
Greenlee	73,759,778	295,039	533,654	4,582	0	2,152,140	0	2,985,415
La Paz	61,263,765	245,055	1,352,152	0	960,329	1,898,088	0	4,455,624
Maricopa	7,049,314,232	28,197,257	105,958,455	32,121,083	52,825,981	263,877,457	0	482,980,233
Mohave	303,074,067	1,212,296	7,646,861	1,013,281	2,909,207	11,930,461	0	24,712,106
Navajo	454,286,083	1,817,144	3,331,938	189,241	3,410,800	10,482,378	0	19,231,501
Pima	2,067,021,180	8,268,085	81,051,709	3,076,980	15,105,925	93,685,769	0	201,188,468
Pinal	297,514,210	1,190,057	14,544,068	867,068	5,024,557	11,051,709	0	32,677,459
Santa Cruz	76,803,885	307,216	2,587,369	0	0	3,248,972	0	6,143,557
Yavapai	334,935,941	1,339,743	8,101,217	485,944	5,670,709	12,185,028	0	27,782,641
Yuma	252,512,160	1,010,049	5,990,431	1,778,000	3,958,209	10,879,535	0	23,616,224
ARIZONA	$12,134,656,350	$48,538,625	$253,220,433	$42,268,948	$94,574,278	$459,476,538	$ 0	$898,078,822
Percent of Total Levies		5.40%	28.20%	4.71%	10.53%	51.16%	0.00%	100.00%

Average Primary Tax Rate: $ 7.40

TABLE 25
SUMMARY OF SECONDARY TAX LEVIES
FOR 1984 - 1985

County	Net Assessed Valuation	County	Cities and Towns	Community Colleges	Schools	All Other	Unorganized School Dist.	Total Levies
Apache	$ 273,011,376	$ 802,735	$ 0	$ 0	$ 3,233,520	$ 232,684	$ 0	$ 4,268,939
Cochise	298,838,090	1,650,915	492,657	0	3,177,895	1,339,426	0	6,660,893
Coconino	454,781,801	0	930,400	0	2,904,456	1,945,091	0	5,779,947
Gila	179,666,603	286,847	24,583	0	1,537,848	476,925	0	2,326,203
Graham	56,899,769	40,392	0	103,273	1,073,891	57,654	0	1,275,210
Greenlee	74,227,191	0	0	0	1,460,360	15,195	0	1,475,555
La Paz	67,714,256	0	0	0	350,000	581,538	0	931,538
Maricopa	7,921,268,019	11,919,468	41,244,909	0	71,039,681	41,289,322	968,797	166,462,177
Mohave	333,708,032	1,506,946	522,615	0	3,331,013	2,790,877	0	8,151,451
Navajo	478,444,042	321,500	46,600	0	8,097,512	3,073,037	0	11,538,649
Pima	2,324,225,207	30,160,276	5,096,140	0	13,752,877	3,910,564	0	52,919,857
Pinal	322,358,649	0	90,479	302,434	3,287,544	2,366,498	0	6,046,955
Santa Cruz	90,007,199	450,036	0	0	928,031	258,827	0	1,636,894
Yavapai	382,954,140	205,000	362,920	0	2,079,983	2,922,946	0	5,570,849
Yuma	271,026,878	1,265,200	283,256	0	1,300,507	374,460	0	3,223,423
ARIZONA	$13,529,131,252	$48,609,315	$49,094,559	$ 405,707	$117,555,118	$61,635,044	$968,797	$278,268,540
Percent of Total Levies		17.47%	17.64%	0.15%	42.24%	22.15%	0.35%	100.00%
Average Secondary Tax Rate:		$2.06						

Income and Withholding

Chapter 4
S.B. 1079
Estimated tax; forgiveness of penalties.
Providing for forgiveness of penalty for delinquent individual estimated tax payments if liability was paid by January 31, 1984.

Session Law effective February 23, 1984.

Chapter 15
H.B. 2088
Transportation allowance for donated services.
Allows an additional deduction from Arizona Gross Income for auto expenses incurred within Arizona when in the service of a charitable organization. Limits the deduction to the difference between the mileage rate allowed for state employees and the mileage rate allowed under Section 170 of the IRC.

Amends Section 43-1046 for tax years beginning from and after December 31, 1983, effective August 3, 1984.

Chapter 25
S.B. 1001
Late tax refunds; interest.
Requires the state to pay interest on any refunded amount upon the expiration of a 60-day time period for processing. Time begins on the last day the refund was due for filing or sixty days from the filing of the return, whichever is later. Interest rate is prescribed in Section 43-805 and calculated from the 61st day to issue date of refund warrant.

Amends Sections 43-402, 1072 and 1073, effective for tax years beginning from and after December 31, 1983.

Chapter 27
S.B. 1002
Crediting income tax payment; priority.
Establishes the order in which tax payments are credited against amounts due. Prescribes amounts must first be applied toward principal owed, then accumulated interest and penalties.

Amends Title 43, Chapter 5, Article 1, Arizona Revised Statutes, by adding Section 43-505, effective August 3, 1984.

Chapter 33
S.B. 1163
Income tax breaks; child care.
Provides for a 24-month amortization period for the cost of child care facilities renovated, remodeled, acquired or constructed primarily for

the children of employees of the taxpayer. Provides for an election for taxpayers already amortizing expenses. Applies to tax years beginning from and after December 31, 1983.

Amends Section 43-1021 and 1032 for tax years beginning from and after December 31, 1983.

Chapter 76
S.B. 1396
Game and Fish Checkoff.
Provides for a permanent game and fish tax checkoff on the income tax returns.

Amends Title 17, Arizona Revised Statutes; amends Title 43, Chapter 6, Article 1, Arizona Revised Statutes by adding Section 43-615, effective for tax years beginning from and after December 31, 1984.

Chapter 195
S.B. 1130
Energy tax credits repeal.
Repeals Section 43-1075 which allowed income tax credit for installation of residential insulation and devices such as reflective window film, thermal windows and passive roof vents. Law is retroactive to tax years beginning after December 31, 1983.

Amends Title 43, Chapter 10, Article 5, Arizona Revised Statutes, by deleting Section 43-1075, effective from and after tax years beginning December 31, 1983.

Chapter 208
S.B. 1409
Taxation of illegal income.
Establishes procedures for law enforcement agencies to notify the Department of Revenue of income which has been received illegally. The revenue is deposited into a special fund, 50% of the taxes collected are for distribution to the enforcement or prosecuting agency who provided the initial report resulting in collection of the tax on the income. The remainder is General Fund revenue.

Amends Title 43, Chapter 2, Article 1, Arizona Revised Statutes, by adding Section 43-207, effective August 3, 1984.

Sales and Use Tax

Chapter 7
S.B. 1261
Sales tax on local advertising.
Amends Sections 42-1301 and 42-1461 and provides session law to define the taxation of local advertising for sales tax purposes. Provides for assignment to the Department of Revenue of certain

collections of delinquent tax payments and ratified imposition, payment and collection of taxes made prior to effective date of bill.

Amends Sections 42-1301 and 42-1461, Arizona Revised Statutes, effective retroactively from and after April 10, 1979.

Chapter 75
S.B. 1342
Intermunicipal sales taxes.
Establishes procedures for resolving sales tax disputes between municipalities. Appeal process involves ability to take dispute to State Board of Tax Appeals. Requires taxpayer to pay appropriate taxes.

Amends Title 42, Chapter 8, Article 3, Arizona Revised Statutes, by adding Section 42-1452, effective August 3, 1984; retroactive to cases not finally adjudicated December 31, 1983.

Chapter 78
H.B. 2047
Contractor exception to temporary tax.
Exempts prime contractors from the temporary business transaction tax on gross income or gross proceeds derived from contracts which were entered into before May 1, 1983 and which have been approved by the Department.

Session law effective retroactively to, from and after December 31, 1983.

Chapter 84
H.B. 2034
Temporary sales and use tax on prepared food.
Provides for food sold from a restaurant to include both sales for consumption on and off the premises and to be taxed under the restaurant and bars category. Specifies the taxpayer determination of retail or restaurant/bars classification from June 1, 1983 to December 31, 1983, shall stand and not be subject to change. All future sales will be under restaurant classes.

Amends Section 42-1312 and 42-1313, Arizona Revised Statutes, effective retroactively to tax periods beginning from and after May 31, 1983.

Chapter 120
H.B. 2317
Sales and use tax delinquency.
Changes the sales and use tax delinquency dates to the 25th day of the month for postmark, or if not received by the department on or before the day preceding the last day of the month (if the postmark is other than the 25th), or the day before the last day of the month for filing in person.

Amends Sections 42-1322 and 42-1412 and removes obsolete statutory text, effective August 3, 1984.

Chapter 134
H.B. 2035
Solar tax exemptions and credits.
Repeals sales tax exemption for sales of solar energy devices.

Amends Sections 42-1310, 42-1312.01, 42-1371 and 42-1409, Arizona Revised Statutes, effective retroactively to from and after April 30, 1984.

Chapter 152
S.B. 1006
Owner-builder sales tax.
Clarifies sales tax levied on owner-builders. Changes method of taxing on sale within 24 months of purchase or construction to tax only the value of the improvements made within the 24-month period.

Amends Sections 42-1310 and 42-1371, Arizona Revised Statutes, effective August 3, 1984.

Chapter 153
S.B. 1008
Subsidiary corporation rental sales tax.
Provides for the exemption from the transaction privilege tax on lease or rental income from one subsidiary to another subsidiary corporation and/or from parent corporation. Defines subsidiary corporation as one in which at least eighty percent of the voting shares are owned by the parent corporation.

Amends Section 42-1314, Arizona Revised Statutes, effective August 3, 1984.

Chapter 170
S.B. 1186
Sales tax exemption; congressionally chartered veterans organizations.
Exempts food and drink prepared for on-premise consumption from sales tax when sold by congressionally chartered veterans organizations.

Amends Section 42-1313, Arizona Revised Statutes, effective August 3, 1984.

Chapter 175
S.B. 1371
Awarding Contracts; effects of taxes.
Provides that the transaction privilege or use tax of a political subdivision shall not be a factor in determining the lowest bidder when the competing bidder is located outside of this state and is not subject to a transaction privilege or use tax of a political subdivision of this state.

Amends Title 34, Chapter 2, Article 3, Arizona Revised Statutes, by adding Section 34-243.01. Effective August 3, 1984.

Chapter 211
H.B. 2012
Insurers; Local taxes.
Prohibits counties, cities and towns from imposing a transaction privilege tax or use tax on insurance policies, premiums, brokers and agents.

Amends Section 20-226, Arizona Revised Statutes. Effective August 3, 1984.

Chapter 253
S.B. 1381
Municipal Sales Tax Administration.
Establishes a study commission to survey the current sales tax administration to determine feasibility of state preemption of the administrative functions.

Session law, Commission for 1984 to report to Legislature in 1985.

Chapter 315
S.B. 1011
State publications sales tax exemption.
Provides for an exemption from the transaction privilege tax on sales of magazines, periodicals or other publications by the state for purposes of encouraging tourist travel.

Amends Section 42-1321, Arizona Revised Statutes, effective May 1, 1984.

Chapter 335
S.B. 1067
Factored Sales Tax.
Allows for factoring to be an alternative method of computing sales tax. The allowance of factoring is to remove the concept of providing an economic incentive to pass along the tax to an exempt entity.

Amends Section 42-1302, 42-1384 and 42-1043, Arizona Revised Statutes, effective May 2, 1984.

Chapter 343
H.B. 2134
Sales tax, federal excise tax.
Excludes from sales tax gross income derived from purchases of telephone or telegraph services which will be used by other persons in providing such services to the final user. Provides for user providing ultimate service to be liable for tax. Also exempts federal excise taxes from gross proceeds of sale or gross income from retail sale of heavy trucks when calculating sales tax.

Amends Sections 42-1310, 42-1371, and 42-1312, Arizona Revised Statutes, effective May 2, 1984.

Chapter 370
H.B. 2075
Transaction privilege tax credit.
Provides for a credit against the Transaction Privilege, Education Excise and Special Education tax imposed for administrative expenses incurred by the taxpayer in accounting and reporting those taxes. Allows ½% per reporting period beginning July 1, 1985, with a $10,000 cap per reporting period, and increases to 1% July 1, 1986.

Amends Title 42, Chapter 8, Article 1, Arizona Revised Statutes, by adding Section 42-1322.01, effective from and after June 30, 1985.

Property Tax

Chapter 12
S.B. 1244
County assessor report of valuation.
Requires county assessor report to the Department any parcel of property which has not been appraised during the preceding three years.

Amends Sections 42-221 and 42-604, Arizona Revised Statutes, effective August 3, 1984.

Chapter 23
H.B. 2297
Scenic or historic railroad taxation.
Establishes a ninth class of property for tax purposes to include scenic or historic railroad property.

Amends Sections 42-136 and 42-227, Arizona Revised Statutes and Title 42, Chapter 1, Article 2.2, Arizona Revised Statutes, by adding Section 42-140, effective March 30, 1984.

Chapter 45
H.B. 2276
Tax valuation notice and appeal.
Changes the dates during which the property tax notices of valuation must be mailed by the assessor and the dates during which property valuations may be appealed. Notices must be mailed on or before February 1, and appeals must be filed on or before February 25.

Amends Section 42-221, Arizona Revised Statutes, effective August 3, 1984.

Chapter 177
S.B. 1228
Government purpose property tax exemption.
Provides an exemption for property owned by a non-profit organization from property taxes when the property is used solely for governmental purposes.

Amends Section 42-271, Arizona Revised Statutes, effective August 3, 1984.

Chapter 212
H.B. 2024
Church property tax exemption.
Provides for a church that fails to furnish the exemption affidavit or additional evidence before March 1 until April 10 to file the evidence or affidavit.

Amends Section 42-275, Arizona Revised Statutes and Laws 1983, Chapter 94, Section 1, effective April 19, 1984.

Chapter 267
H.B. 2067
Compensation fund personal property taxation.
Subjects personal property of the State Compensation Fund to property taxes. Corrects a technical error.

Amends Section 23-981, Arizona Revised Statutes, effective August 3, 1984.

Chapter 292
S.B. 1420
Railroad tax claims settlement.
Appropriates $7.0 million to settle certain property tax litigation with Santa Fe and Southern Pacific railroads.

Session law, effective April 27, 1984, funds payable in 1984-85 fiscal year.

Chapter 317
H.B. 2025
Tax Collection Reform Act.
Provides for revisions to the county treasurer's annual report, the back tax book, property tax laws and treasurer's deeds. Also contains technical and conforming changes.

Changes the heading of Title 42, Chapter 2, Article 6, Arizona Revised Statutes, to "Sale of Tax Lien for Delinquent Taxes;" Changes the heading of Title 42, Chapter 2, Article 7, Arizona Revised Statutes, to "Redemption of Tax Liens;" Changes the heading of Title 42, Chapter 2, Article 8, Arizona Revised Statutes, to "Judicial Foreclosure of Right to Redeem;" Repeals Sections 42-381, 42-382, 42-388, 42-398 and 42-1104, Arizona Revised Statutes; Amends Sections 42-234, 42-309, 42-310, 42-342, 42-344, 42-345, 42-351, 42-384 through 42-387, 42-389, 42-390, 42-391, 42-392 through 42-397, 42-399, 42-401, 42-403, 42-404, 42-421, 42-422, 42-423, 42-426, 42-427, 42-451 through 42-454, 42-471, 42-472, 42-521 and 42-1103, Arizona Revised Statutes; Amends Title 42, Chapter 2, Article 6, Arizona Revised Statutes, by adding new Sections 42-381 and 42-388; Amends Title 42, Chapter 2, Arizona Revised Statutes, by adding Article 8.1; Transferring and

renumbering for placement in Title 42, Chapter 2, Article 8.1, Arizona Revised Statutes, Sections 42-455 as 42-461, 42-456 as 42-462, 42-457 as 42-463 and 42-458 as 42-464, and amends Sections 42-461 through 42-464, Arizona Revised Statutes, as renumbered.

Chapter 344
H.B. 2182
Waste Facilities Sites; Notification; Hearing.
This act is an emergency measure which requires that, prior to selecting or issuing a permit to construct a permanent site for a facility to store, treat or dispose of hazardous waste, solid waste or sewage, the agency or political subdivision responsible for selecting or issuing a permit shall send a written notice by first class mail of the proposed site to all property owners within three miles of the site if the site is in an unincorporated area and all property owners within three hundred feet of the site if the site is in an incorporated area. The list of property owners shall be provided by the county assessor and the Department of Revenue within fifteen days of the request for such list by the agency or political subdivision.

Amends Title 36, Chapter 28, Arizona Revised Statutes, by adding Article 3.

Bingo

Chapter 266
H.B. 2021
Homeowners Association Bingo.
Provides that homeowner's associations may qualify to be licensed to conduct games of bingo. Defines "qualified homeowners association" as a non-profit corporation or association established to own, lease or manage, limited access lots, parcels, areas, grounds or streets of a real estate development, which has been in existence for two years.

Amends Section 5-401, Arizona Revised Statutes, effective April 25, 1984.

Luxury Tax

Chapter 336
S.B. 1071
Luxury tax on cigarettes.
This bill provides for a floor tax on inventories in wholesale warehouses as of the effective date of the tax increase July 1, 1984. It also accelerates all luxury tax due dates to the 20th day of the succeeding month following the tax liability. Provides for 10 days delinquency.

Amends Sections 42-1205 and 42-1212.01, Arizona Revised Statutes, effective May 2, 1984.

Administration

Chapter 11
S.B. 1131
Outstanding tax accounts; compound interest.
Clarifies the intent of H.B. 2003 from the 1983 session which provided for annual compounding of interest. Interest outstanding as of February 11, 1984 will compound on February 11, 1984 and on January 1st of each year thereafter. The interest rate will reflect that in Section 43-805.

Amends Section 43-805, Arizona Revised Statutes, effective March 30, 1984.

Chapter 13
S.B. 1268
Subpoenaed tax records.
Limits the ability to subpoena the tax records of taxpayers not directly involved in the legal action.

Amends Section 42-108, Arizona Revised Statutes, as amended by Laws 1983, Chapter 115, Section 1, Chapter 185, Section 1 and Chapter 221, Section 1, and repeals Section 42-108, Arizona Revised Statutes, as amended by Laws 1983, Chapter 243, Section 2, effective August 3, 1984.

Chapter 37
H.B. 2009
Department of Revenue organization.
This bill removes the statutory organization of the Department of Revenue and allows the Director to organize the Department in the most effective manner.

Amends Sections 42-103 and 42-1321, Arizona Revised Statutes, effective August 3, 1984.

Chapter 47
H.B. 2330
Appropriation for accelerated tax enforcement.
Provides funds to pursue accelerated enforcement program for 83/84 fiscal year.

Session Law, effective April 4, 1984.

Chapter 353
S.B. 1417
Disease Control Research.
Payment allocated from penalties and interest on delinquent taxes from Titles 42 and 43 to fund research. From amounts collected in fiscal year 1985-86 $900,000, increasing annually through fiscal year 1988-89 to a maximum of $2,975,000 for 1988-89 and each year thereafter.

Amends Title 36, Chapter 2, Arizona Revised Statutes, by adding Article 4 and Sections 41-2368 and 41-2376, Arizona Revised Statutes, effective August 3, 1984.

Chapter 383
S.B. 1070
Tax correction bill.
This is the technical corrections bill prepared by Legislative Council. It includes the language added in the second special session changes in luxury tax.

Effective August 3, 1984.

Chapter 371
H.B. 2406
Tax Package or Omnibus Tax Measure.
Sec. 1 - Provides that nursery property used to produce certain horticultural crops be classified as agricultural purposes under Class 4.
Sec. 2 - Provides for a verification of property usage as owner-occupied or residential rental. Sets forth appeal process and civil penalties. County assessor to assume responsibility for proper classification of residential dwellings. Provides procedures for process.
Sec. 3 - Provides for prominent statement on Notice of Valuation informing property owner of responsibilities of rental usage and owner-occupied usage and civil penalties.
Sec. 4 - Establishes for tax years 1985-1988 1% reduction of full cash value from 18% to 14% for Class 6.
Sec. 5 - Luxury cigarette stamp requirements amended to say a distributor may not sell stamped cigarette packages unless tax is actually paid. DOR not required to refund tax on exempt sales.
Sec. 6 - Imposes a "bed tax" at 2% of gross income from business of operating a hotel, motel or like business. Provides for exception to tax.
Sec. 7 - "Establishes Retail Business Transaction Tax." Levies a tax at 1% of gross proceeds of sales or gross income from business selling tangible personal property at retail. Tax in addition to Article 1, 1.1 and 1.2 for gross rate of 5%. Provides for administration as imposed by 42-1372. Effective June 30, 1984.
Sec. 8 - Use tax amended to provide the same rate as combined rates imposed under Article 1, 1.1 and 1.4 plus any other excise tax levied by the state on retail transactions. Effective June 30, 1984.

Sec. 9 - Requires redesign of Affidavit of Legal Value to provide for certain additional information, including tax code or parcel numbers, and usage of residential property as rental or ownership-occupied.
Sec. 10 - Technical correction to reference Section 42-1314.F. to Section 1314.G.
Sec. 11 - Technical correction removes reference to credit under Section 43-1073. Retroactive to December 31, 1983.
Sec. 12 - Provides for deduction on income tax for residential rent property tax to expire tax year ending January 1, 1988.
Sec. 13 - 140 PTC amended to allow credit of amount of property taxes actually paid or amount computed in tables in Section 43-1072, whichever is less. Requires a claimant to provide with the 140 PTC a copy of property tax statement or suitable representation as prescribed by the Department of Revenue. Retroactive to December 31, 1983.
Sec. 14 - For tax years ending January 1, 1988, allows residents a credit of 5% rent paid or $100, whichever is less, on income taxes due. Requires renters credit claimant to include assessors tax code number assigned to property to obtain credit. Requires landlord to provide tax code number in writing. Failure to provide a tenant tax code number is a petty offense. Retroactive to December 31, 1983.
Sec. 15 - Puts in session law the non-retail business excise tax. Tax levied at 25% of base business excise applied by Title 42, Chapter 8, Articles 1, 1.1 and 1.2 other than tangible personal property at retail and the hotel/motel class. Effective May 31, 1984. (Session Law)
Sec. 16 - Amends exception to temporary business tax levied by Laws 1983, Chapter 288, Section 1 and Laws 1984, Chapter 78, Section 1 to exempt prime contractors from tax under certain qualified contracts entered into prior to May 1, 1983. (Session Law)
Sec. 17 - Reduces 1984 state education property tax rate from 75¢ per $100 of assessed valuation to 40¢ per $100 of assessed valuation. (Session Law)
Sec. 18 - Establishes 1984 state general purpose property tax rate at zero. (Session Law)
Sec. 19 - Appropriates $350,000 from state general fund for 1984-85 to the Department of Revenue to implement Section 42-137 as provided in this bill. (Session Law)
Sec. 20 - Sections 11 (43-251), 13 (43-1072) and 14 (43-1073) retroactive to tax years beginning December 31, 1983.
Sec. 21 - Emergency clause -- provides bill to become law and effective upon Governor's signature May 5, 1984. (Session Law)

Amends Section 42-136, Arizona Revised Statutes, as amended by Laws 1984, Chapter 23, Section 1; Amends Section 42-221, Arizona Revised Statutes; Amends Title 42, Chapter 1, Article 2.1, Arizona Revised Statutes, by adding Section 42-137; Amends Section 42-227, Arizona Revised Statutes, as amended by Laws 1984, Chapter 23, Section 3; Amends Section 42-1212 and 42-1314, Arizona Revised Statutes; Amends Title 42, Chapter 8, Arizona Revised Statutes, by adding Article 1.4; Amends Sections 42-1408, 42-1612, 42-1712, 43-251, 43-1060, 43-1072, and 43-1073, Arizona Revised Statutes; Amends Laws 1984, Chapter 78, Section 1 and making an appropriation.

Luxury Tax

Chapter 13
S.B. 1026
Vehicle Transfer Tax; Luxury Tax Rates.
Provides for the levy of a tax on the transfer of title or registration of any vehicle, boat, or airplane transferred from a person other than a retailer to be paid by the transferee at 4% of the sales price. Prescribes an affidavit of sales price and provides for establishing rules of minimum values and exempt sales. Increases luxury tax rates and also changes the rates used to assess cigarettes from a per pack basis to a per cigarette basis.

Amends Title 28, Chapter 9, Arizona Revised Statutes, by adding Article 8; amending Sections 5-321, 28-304, 28-1764, 42-1204, 42-1215 and 42-1231, Arizona Revised Statutes, effective from and after June 30, 1984.